

UK NEWS — EMPLOYMENT

Power workers threaten selective industrial action

By Fiona Thompson, Labour Staff

POWER workers may launch selective strikes to hit crucial sections of the electricity supply network if the employers do not increase a rejected 8.5 per cent pay offer.

Targets for selective action could include the National Grid Company, which runs the national transmission network. The network is owned by the 12 area boards — first in the queue for privatisation in November. Also at risk, it is understood, are the energy management centres of the two generating companies that are heading for privatisation.

Leaders of the four unions representing the 74,000 power workers met yesterday to discuss strategy and to announce the collective result of their ballots on action over the pay offer. Overall, the vote for a strike was 27,719 against 16,959. For action short of a strike, the vote in favour was 42,399 with 4,819 against.

They later held an informal meeting with Mr Roger Farrance, chief executive of the Electricity Association, which represents the employers.

"We asked the employers to seriously reconsider their posi-

tion with a view to making a substantially increased offer," said Mr Frank Chapman, chairman of the trade union side.

Mr Farrance said he would go away and think about it. Both sides are due to meet formally on May 3, when the unions expect the employers to improve on their offer.

The unions, looking for at least 10 per cent, are counting on employers wishing to avoid disruption before privatisation.

The four unions involved are the EETPU electricians' union, the TGWU and GMB general workers' union and the AUE engineers.

Mr Jim Mowatt, national officer of the TGWU, said yesterday: "Since voting day the ball-game has now changed: the association now has to deal with 50 separate companies. It is a much more convoluted process."

The validity of the unions' ballots for action remains effective until May 10.

Last year, the power workers won a 9.3 per cent pay award after threatening an overtime ban. The last time they officially took industrial action was in 1970-71.

British Rail will meet the unions for further pay talks on Monday after the three railway unions earlier this month rejected an improved 8.5 per cent pay offer.

The unions are seeking a settlement of at least 10 per cent, to satisfy their members' worries about the community charge and higher rents and mortgage payments.

BR has not described the 8.5 per cent offer as final, raising union hopes that it will be improved.

The NUR, the main rail union, said yesterday that unlike last year, when the unions staged a series of one-day rail strikes before an 8.8 per cent settlement was agreed upon, there was a feeling this year that both sides were listening to one another.

British Rail has also said it would agree to talks on reducing the working week to 37 hours on a self-financing basis.

The claim lodged by the three rail unions — the NUR, the ASLEF train drivers union and the TSSA white collar rail staff — is for a substantial increase and a 35-hour week.

Steel union agrees to end national wage talks

By Lisa Wood, Labour Staff

BRITISH STEEL and the Iron and Steel Trades Confederation, the principal steel union representing production workers, have agreed to end national pay bargaining, the company confirmed yesterday.

Initial meetings on the first phase of pay talks at local level are now taking place.

The pay discussions are being held about British Steel's four business divisions — strip products, general steel, stainless and tubular.

British Steel formally presented a proposal to devolve negotiations about pay, working hours and sickness to the union last year. Pensions, it said, would continue to be dealt with by a single national body. The ISTC executive rejected the plan but changed its stance after branch discussions with its membership.

A two-year national pay deal, negotiated in 1988, ended last month. British Steel said it was too early to say when it might achieve any settlements. Union representatives were in local talks yesterday and unavailable for comment.

After the 1980 steel strike, British Steel introduced plant-level bonuses to supplement national pay levels. The company said it believed that development of pay bargaining was a logical extension of plant-level bonuses.

The new bargaining structure for British Steel's 52,000 production workers will be watched by other employers keen to stop national bargaining. Last year, British Rail failed to carry through similar plans in the face of strikes.

BNF's 8.4% offer rejected

By Lisa Wood, Labour Staff

AN offer of an 8.4 per cent pay rise for workers at British Nuclear Fuel's five sites has been rejected by the unions' joint negotiating committee.

Mr Jimmy Airlie, chairman of the committee, said yesterday that BNF had been told that a double figure settlement was wanted.

Facing the spectre of redundancy

Norma Cohen looks at why teachers are fearing for their jobs

THE spectre of teacher redundancies, virtually unheard of in England and Wales, has overshadowed the annual conferences of the nation's largest education unions, prompting calls for a series of strikes wherever teachers' jobs are at risk.

Delegates to both the National Union of Teachers and the National Association of Schoolmasters/Union of Women Teachers conferences overwhelmingly backed strike action over redundancies, with the first of a series of localised strikes likely to occur within the next few weeks.

Pinning down the extent of teacher redundancies is a somewhat daunting task. After all the hyperbole of last week's union conferences, not a single teacher in England or Wales has actually been fired, although several authorities are clearly considering it.

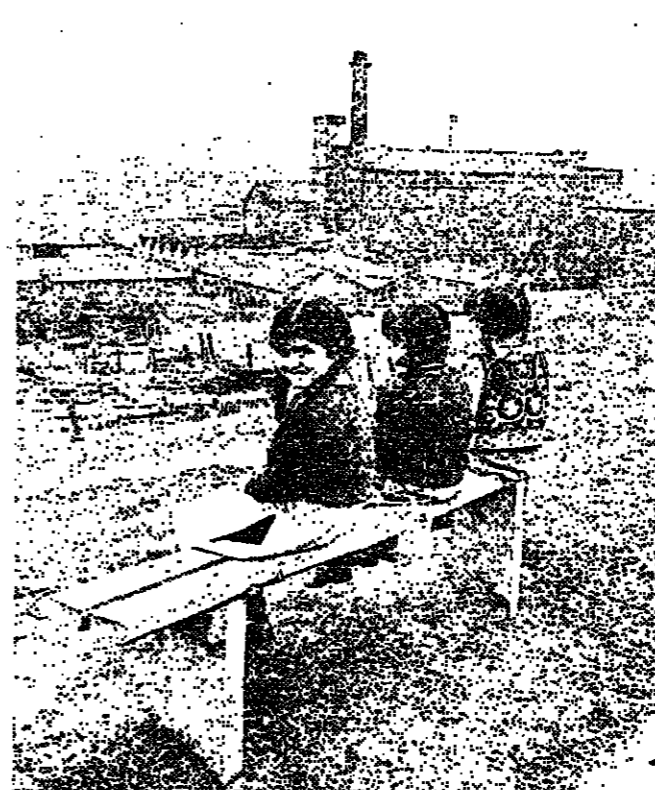
Ironically, the redundancy issue is emerging just as the nation is coming to grips with a teacher shortage. In a report from Her Majesty's Inspectorate of Schools monitoring the progress of primary schools, HMI concluded that some were experiencing severe staffing difficulties, thus hindering the successful implementation of the national curriculum.

Traditionally, job stability has been one of the hallmarks of the teaching profession. Even with the demographic shift that has led to falling pupil rolls, teachers have been able to count on alternative employment within the same district, filling slots vacated by those retiring or leaving.

However, changes in the way schools are operated and paid for — which took effect this month — have created widespread anxiety in the teaching profession. In particular, Local Management of Schools (LMS) looms large in the minds of many as the culprit.

And not for nothing. To be fair, only one council, Nottinghamshire, has actually issued notifications of compulsory redundancy that so far could affect some 140 teachers in secondary schools. Other districts, however, are also totting up the figures, which, according to projections from the NASUWT, could add up to 1,500 jobs in the next few weeks.

LMS causes teachers' anxiety on two key points. One, it allocates funds to schools on a



Students in Bradford: teachers there face cutbacks

per-pupil basis, assuming a standard spending assessment that varies with students' age and other variables such as the type of support services needed. But it assumes that similar students at different schools cost the same to educate — an assumption belied by school spending patterns.

Furthermore, LMS gives the power to hire and fire teachers to each school's board of governors. Local authorities, most of which have had no-redundancy policies, could previously simply redeploy teachers to other schools under their control. This is no longer possible.

"Teachers are right to be worried," said Mr Bob Bennett, a spokesman for Sheffield's

education authority, where some 60 jobs out of 4,000 are likely to be shed in the coming term. And while the authority cannot compel local school boards to hire redundant teachers, most of Sheffield's school boards have agreed to first consider teachers on the redundancy list before looking outside the district for staff, Mr Bennett said.

However, there is no guarantee that jobs will be found for redundant staff. Meanwhile, Sheffield is being forced to review its policy of maintaining smaller secondary schools in parts of the district which have had falling rolls, but where closing institutions would have required students to travel long distances. These

schools are far more expensive to maintain than the standard spending allowance per pupil allocated under LMS, and closure could well result in more teacher redundancies.

But because LMS is being phased in over the next three years, local education authorities are still the employers for many schools in their districts and are still able to find places for redundant teachers.

Education Secretary Mr John MacGregor has dismissed reports of widespread redundancies stemming from LMS as "scaremongering," and is urging education authorities to reduce the percentage of funds used for administration and distribute more money to schools. Nationwide, about 32 per cent of each district's funds, on average, are used for central administration, according to the Department of Education and Science.

Meanwhile, some educators argue, LMS has no effect on staffing levels at all. Instead, teacher redundancies are the result of spending cuts as districts struggle to keep their poll taxes below the Government's mandated levels.

"LMS is only a means of carving up a cake," said Ms Linda Cook, headmistress of Belle Vue Boys School in Bradford, which has been operating under LMS as part of a pilot project for the past year. It is the size of the cake that matters," indeed, Ms Cook said, LMS has proved a boon for her school, allowing it to save money because goods and services can be purchased more quickly and cheaply.

But Bradford has been beset by budget cuts. The Conservative-controlled council has set the poll tax at £276 — just £2 below the Government's estimate. Now, upper schools are facing reductions of about 100 teachers if additional funds are not found from elsewhere in the authority's budget. And while wastage has provided about 30 to 40 new slots per year, teachers in Bradford for the first time may find that alternative jobs are not to be had in the district.

At Belle Vue Boys', budget cuts mean the school will leave a physical education and an information technology slot unfilled in the coming term, and possibly may result in the elimination of a permanent supply teacher.

Vosper Thornycroft and staff reach deal despite strike vote

By Diane Summers, Labour Staff

VOSPER Thornycroft, the shipbuilder, has reached agreement with unions on a two-year pay deal that will give a 37-hour week from next year. The agreement has come in spite of a very narrow vote by the workforce at the company's Woolston, Portchester and Cosham sites to reject the deal and take strike action.

It is thought that Vosper Thornycroft employees are the first shipyard workers in the country to win a reduction in hours since the start of a national campaign by engineering unions for a shorter working week.

In the first year, the deal will give a 9 per cent pay increase backdated to April 1, plus 1 per cent increase in January 1991.

The second year's increase will be linked to the Retail Price Index. There will be a one-hour cut in hours from July this year, and a further hour's reduction from April 1991.

Union officials yesterday decided to overrule the result of a strike ballot because the vote was so evenly split: out of about 1,200 employees, 580 voted to accept the offer, while 571 were in favour of strike action. Mr Jim O'Reilly, secretary of the local branch of the Confederation of Shipbuilding and Engineering Unions, said officials had decided that there was not a solid enough mandate for a strike.

Mr Martin Jay, Vosper Thornycroft's managing director, stressed that the reduction in

working hours would be self-financing. Over the next two weeks, the finishing touches would be put to plans to make "better use of the working day," he said. Agreements already existed for many of the measures, including the management of overtime — it was now a question of implementing them, he said. The company also hoped to achieve longer-term improvements in working arrangements, including the possible redrawing of shift patterns, Mr Jay added.

● Rover Group confirmed last night that agreement with unions was likely shortly after the weekend on the introduction of the first 37-hour week for manual day workers in the UK motor industry.

THE QUEEN'S AWARDS WILL BE FEATURED IN DEPTH IN THE FINANCIAL TIMES ON MONDAY 23 APRIL 1990

The following award winners will be advertising in this issue

EXPORT

Baker & McKenzie	British Ceramic Service Co. Ltd	British Steel Stainless
Butterley Brick Ltd	C & S Antennas Ltd	
Caledonian Airmotive Ltd	Chaucer Foods Ltd	The College of Petroleum Studies
Dunhill Scotch Whisky Sales Ltd	Dent Instrumentation Ltd	Fairey Industrial Ceramics Ltd
Gluck Engineering Co Ltd	Ethicon Limited	Hunt & Moscrop Ltd
John Guest Limited	Kodak Ltd	Laidlaw Drew Ltd
Land Rover Commercial Division of Rover Group Ltd	The London School of Economics & Political Science	
The Pedigree Petfoods Division of Mars GB Ltd	Mclellan & Partners Ltd	Metrotext Ltd
Morning Foods Ltd	Premier Biscuits - A Division of Premier Brands UK Ltd	
Purolite International Ltd	Radox Laboratories Ltd	
Psion plc	Sony Manufacturing Company UK	Sunset + Vine plc
The Automotive Electronics Division of Salford Electrical Instruments Ltd	Tankard Carpets Ltd	Tiphook Group plc
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TECHNOLOGY

The Paper Division of Allied Colloids Ltd	The Research Department of Allied Colloids Ltd	Bonas Machine Company Limited
Croda Application Chemicals Ltd	GPT Telecommunications Systems Group (Switching Networks)	
The Technical Department of Gullick Dobson Ltd	Pearpoint Ltd	Pilkington PE Ltd
The Wellcome Research Laboratories of The Wellcome Foundation Ltd	Yarrow Shipbuilders Ltd	
The Flight Deck Display Systems Unit of the Cheltenham Division of Smiths Industries Aerospace and Defence Systems		

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US MARKETS (3pm)[illegible][illegible][illegible][illegible][illegible]

NEW YORK STOCK EXCHANGE			TRADING ACTIVITY				
Stocks			Volume		Millions		
Thursday	traded	Closing price on day	Apr 19	Apr 18	Apr 17	Apr 16	Apr 15
MARKET SUMMARY							
Harcourt B.	2,624,500	4 1/4 + 1	New York	102,930	147,130	127,990	127,990
Commerce B.	2,610,000	18 1/2 - 3 1/2	Aeros	15,730	13,675	10,950	10,950
First Nat.	1,960,000	89 1/4 - 1	Boeing	19,750	18,750	15,750	15,750
Philip Morris	1,844,900	10 1/4 - 1	Boys	1,988	964	1,991	1,991
Gen. Elec.	1,500,000	40 1/4 - 1	Brace	489	471	466	466
Am. Express	1,460,000	42 1/2 - 1/4	Chrysler	1,053	927	817	817
Radio Corp.	1,439,200	60 1/4 - 1/4	Unchanged	537	473	497	497
Gen. Electric	1,240,400	25 1/4 - 1	New High	12	17	20	20
IBM	1,113,900	100 1/4 - 1	Low	70	67	67	67

METALHANS						
CS 1 to 1000 (Jan 1963)	299.0	226.4	259.7	256.0	249.0 (0)	241.0 (256)
CS 101 to 200 (Jan 1963)	177.7	172.2	178.1	178.1	200.0 (0)	200.0 (256)
NORWAY						
SE 02 (1963)	799.0	798.24	796.29	794.80	945.00 (1637)	701.57 (212)
PERU						
PERU Comp (1/1963)	107.3	1094.67	1094.52	1095.77	1160.76 (107)	1014.09 (512)
SINGAPORE						
SM 100 (1963)	412.67	412.67	420.58	419.31	413.34 (62)	413.34 (62)
SOUTH AFRICA						
CS 101 to 200 (Jan 1963)	289.0	283.0	283.0	283.0	223.0 (161)	275.0 (161)
US 101 to 200 (Jan 1963)	289.0	283.0	283.0	283.0	223.0 (161)	275.0 (161)
SOUTH KOREA**						
Kore Comp 101 to 200	287.0	286.3	286.3	286.3	223.0 (161)	275.0 (161)

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Chinese Rings	11.90	
Cashew	5.65	-0.15
Hong Kong Cured	2.17	+0.1
Malayan Bawling	12.10	-0.06
Malayan Utd Ind	2.20	
North Europe	1.30	-0.01
Public Bank	2.24	-0.03
Slate Derby	4.94	-0.14

SINGAPORE		
April 20	S\$	+ or -
Cereals Pacific	8.00	
Cold Storage	4.26	-0.06
OSB	13.00	-0.2
Shoe & Neore	8.95	-0.15

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Keppel Corp.	5.70	-0.1
DCBC	7.50	+0.2
IOB	10.60	+0.02
S'pore Air Free	4.48	-0.2
Singapore Press	19.30	-0.04
Straits Trading	8.00	-0.04
Tat Lee Bank	3.46	-0.04
UOB	3.62	-0.04
	5.90	

TDK	6,900	+160	IG Int'l Marine	2.32	-0.01
Talbot Corp	1,240	+18	IG Int'l	2.68	-0.03
Talbot Marine	1,080	+27	Investment Equity	2.15	-
Talbot Paper	2,330	+40	Investment Group	2.15	-0.05
Talbot Plastics	708	-24	Jones (Harris)	12.00	+0.2

NOTES—Prices on this page are as quoted on the individual exchanges and are best bid prices, if not available. Dealers' commissions are extra. Ex. corp. tax: Ex. reg. tax: Ex. alt. tax.

INDUSTRIALS (Miscel.) - Contd.

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The origins of life, the universe, and everything

Clive Cookson explains why the Hubble space telescope and other billion-pound projects are needed to probe the limits of human understanding

A REVOLUTION is now under way in our understanding of the universe. It could rival those leaps of imagination that resulted from Galileo pointing the first telescope at the night sky in 1609, or the combined impact in the 1920s of Einstein's theory of relativity and Hubble's discovery that the stars and galaxies are all careering away from each other.

Before the 20th century no-one thought that the universe might have an origin which could be explored scientifically. Although astronomical bodies moved about the sky and even changed with time, scientists assumed that the universe as a whole was unchanging. Its beginnings were regarded as the province of philosophers and theologians.

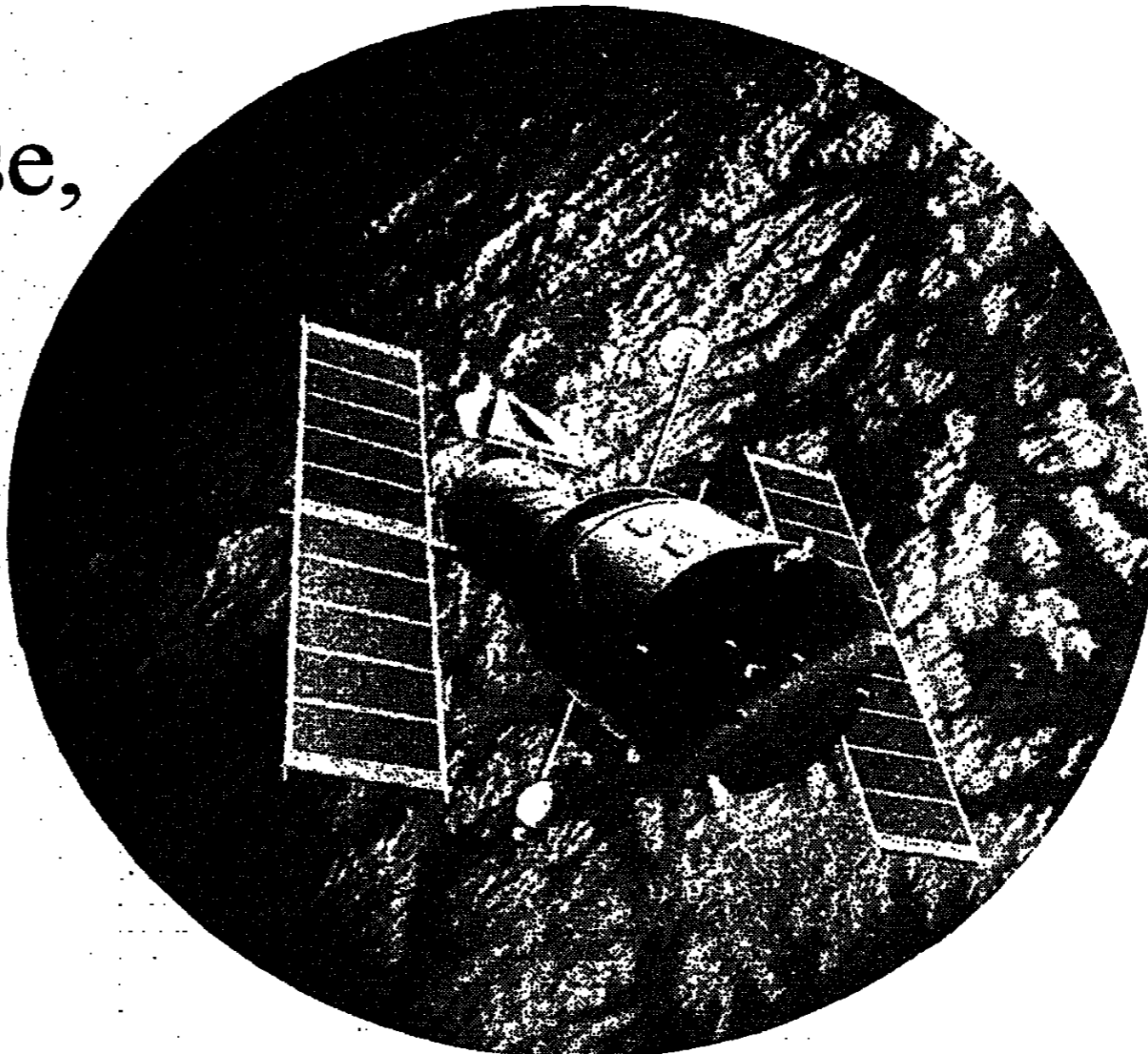
Then the Hubble-Einstein revolution inspired the Big Bang theory - the idea that the universe originated in a cosmic explosion billions of years ago. Until the late 1960s, this was opposed by the Steady State theory, which held that atoms were continually being created to fill the gaps left by receding star systems.

Mounting evidence for the Big Bang has now convinced most astronomers, although many puzzles remain about that primordial explosion 10bn to 20bn years ago. The new revolution promises to explain exactly how the universe was born, as far back as its first billion billion billionth of a second. (An explanation of why the universe exists and what, if anything, preceded it is likely to remain the province of religion and philosophy for the time being.)

Practical evidence to support this new revolution in scientific thought will come from the world's most expensive scientific instruments: the US space agency, NASA's \$2bn Hubble Space Telescope, and the European Centre for Particle Physics's (CERN's) \$1.2bn Large Electron-Positron collider (LEP). For the riddle of creation can now be solved only by the conjunction of two traditionally different types of scientist: cosmologists, who study the vast expanses of space, and particle physicists, who break matter down into its smallest components.

Their work is separated by unimaginable differences of scale. But during the 1980s they began to establish common ground in the search for an elusive Grand Theory of Everything, a coherent account of how all forces and matter work together. This would indeed be a modern Music of the Spheres, enshrined in mathematics and tested against observation.

It is not surprising that such a Big Question requires big money. Very powerful telescopes are needed to look, not just out into space, but back into time (because the light now reaching earth left the distant stars billions of years ago). A particle accelerator the size of the London Underground's Circle Line is needed to re-create the intense energies which must have existed in the early moments of the universe.



The Large Electron-Positron collider, built jointly by the 14 member countries of CERN, in Geneva, Switzerland, was completed last summer on time and to budget - an exception to the rule that "big science" involves big delays and overrunning. The machine has already tested the predictions of a theory designed to explain the mechanics of Big Bang - with remarkable results.

The Hubble Space Telescope, designed in the 1970s and originally scheduled for launch in 1983, is still on the ground. Hundreds of astronomers flew to Cape Canaveral last week to see the Space Shuttle Discovery lift the bus-sized telescope into orbit. But NASA stopped the countdown with four minutes to go because of a faulty power unit. After seven years delay, astronomers will have to wait at least until next week before it is launched.

More than 500 miles above the blurring, distorting atmosphere that makes stars twinkle when seen from Earth, the Space Telescope will be able to see seven times further than the most powerful ground-based observatories, detecting bright objects close to the "edge" of the universe.

Because of the time light takes to travel, the telescope will reveal star systems as they existed only a billion years or so after Big Bang - when the universe was less than a tenth of its present age. Matter had then cooled enough to start condensing into stars. By studying the young universe with the Space Telescope, scientists expect to gain a new understanding of its evolution, and to make clearer deductions about the first fateful moments of Big Bang.

Meanwhile, the giant colliders such as LEP will be accelerating particles close to the speed of light and then smashing them together, to create a burst of pure energy which echoes the state of the infant universe for a tiny fraction of a second. This energy immediately re-materialises as a stream of exotic new particles, just as it did billions of years ago.

In LEP, bursts of electrons and positrons (the mirror image or antiparticles of electrons) race in opposite directions round a 27 kilometre tunnel under the French-Swiss border before colliding. In recent months the collisions have re-created tens of thousands of Z particles - one of the most ephemeral forms of matter, which theorists say must have marked an important stage in the Big Bang process when part of the initial burst of pure energy was being transformed into matter. These Z particles disappeared as rapidly as they emerged, a fraction of a second after the creation of the universe, never to reappear on Earth except in man-made accelerators. Even in LEP each Z particle survives only for a few million million million millionths of a second before decaying into a variety of lighter particles.

But this has been enough for the 1,000 physicists working on LEP to produce powerful experimental support for the theories of Big Bang cosmologists.

The Big Bang theory originated in the 1920s when Edwin Hubble, the great American astronomer in whose honour the Space Telescope is named, discovered that other galaxies lie beyond our Milky Way and that the universe is expanding. Light from distant galaxies appeared progressively redder the further they are from earth, and Hubble correctly deduced that this was because the objects were moving away.

Two observations then led to the undisputed triumph of Big Bang: physicists at Bell Laboratories in the US detected a distant echo of the original fireball in the form of background microwave radiation coming evenly from all directions of the sky; and radio-astronomers at Cambridge found that the distribution of galaxies changed as they looked deeper into space, thus proving that the universe is changing with the passage of time.

During the 1970s and '80s cosmologists combined Big Bang theory with observations of the relative abundance of different chemical elements in the universe to draw bold conclusions about the fundamental nature of matter. In the '70s increasingly powerful colliders were producing an apparently endless variety of new subatomic particles. As more and more were discovered, theorists became bewildered as to their true significance.

By 1980, however, cosmologists were trying to impose some order on this jumble of elementary particles. If their theories of how the universe evolved from Big Bang were to work, the building blocks of matter had to be limited to four classes or fewer. Last year improved astronomical observation of the relative amounts of helium and hydrogen in the universe pointed towards a Big Bang theory, positing only three basic types of elementary particle.

This theory received remarkable confirmation in October 1989 from the CERN

announcement, to say that their experiments showed there were three particle families, even though their data from many fewer Z particles were much less reliable. The quarrel was patched up with self-righteous suggestions that the media had exaggerated it. However, one good result of the rivalry is that intense scientific competition between Europe and America continues to fuel government spending on particle colliders.

Scientific patriotism has become an important motive for the US to build a far more powerful particle smasher, the Superconducting Super Collider (SSC), in an 85-kilometre loop around the small town of Waxahatchie, Texas. Last year the Department of Energy promised that its final cost would be \$5.9bn; this year, with construction about to start, the estimate has risen to \$7bn. It remains uncertain whether advocates of the new accelerator will be able to overcome growing doubts about the project in Congress.

But despite mankind's insatiable curiosity about the distant origins of everything, is the huge expenditure on the "big science" projects really necessary? Critics point to the very large number of small-scale projects that could be built for the money, and indeed many milestones in physics have been planned by those with great genius and slender resources.

However, it is hard to see how progress in the great endeavours of particle physics and astronomy can now continue without ever more expensive instruments and larger scientific teams. This reflects the fact that the scales of phenomena now being investigated are so many billions of times smaller - and larger - than the familiar objects of the world.

Moreover the prestige of these very big projects is so great that governments would be unlikely to spend similar amounts on smaller scale programmes, even if the big project were abandoned. That is one reason why, after some reluctance, astronomers supported the Space Telescope enthusiastically in the 1970s, as Robert Smith shows in his new history of the project (*The Space Telescope*, Cambridge University Press, £40.00/\$39.50). They saw it as a way of siphoning some of the multi-million dollar space budget into astronomy. "The Space Telescope is costing 100 times as much as a ground-based observatory, but the point is that it's different money," says Sir Francis Graham-Smith, Britain's Astronomer Royal.

And a big project such as the Hubble telescope can catch public imagination with a sense of wonder and awe that such immediacies may be subordinated to the understanding of man. As Sir Francis says, even after all the delays, the Space Telescope "is still a real inspiration to the American people."

International enthusiasm for the Space Telescope may be measured by the fact that astronomers requested a total of 11,000 hours observing time on it in the first year; the Space Telescope Science Institute in Baltimore, which is scheduling the various observations, has been able to allocate only 1,200 hours. (Even so, 20 hours have been set aside for amateur observers, who have a long and honourable tradition of astronomical discovery.)

Apart from the profound puzzles about Big Bang and the Unified Theory of Everything, astronomers will be using the Space Telescope observations to help answer a wide range of questions. For example:

- How old exactly is the universe and how fast is it expanding? Current estimates of the rate of expansion (the Hubble Con-

Continued on Page X

The Long View

Poor relations lose in the FSA jungle

"I HOPE that the value of independent advice will become better understood," Sir Gordon Borrie says. But for all the expressions of pious hopes, the availability of independent financial advice to the public continues to shrink, while tied agents and direct salesmen prosper by hawking the products of single companies. Nobody over intended the Financial Services Act to have such an effect but this has turned out to be possibly its most dramatic consequence.

In fact, Sir Gordon Borrie, director-general of the Office of Fair Trading (OFT), has a cautious expectation with the health of the independent financial advice (IFA) sector in one of the two reports he published last week (from which the quote comes). But, in the other, he renewed his call for tougher disclosure by IFAs of their commissions, a requirement which most such practitioners are convinced would kill off a large part of their business.

I have a lot of sympathy for Sir Gordon's unyielding stance on disclosure, but it needs to be combined with a clearer analysis of the impact on independent advisers.

Some people argue that their role is so valuable that they should be protected even at the cost of putting up with traditional life company obscurantism. But if IFAs indeed cannot stand up to the strains of a transparent relationship with their clients, then perhaps they have not been doing their job properly and we should not be too sentimental about the demise of most of them.

An OFT survey of six leading life offices indicates a drop in the proportion of the life assurance business channelled through IFAs from 60 per cent in 1987 to a projected 45 per cent in 1990. Sir Gordon expects the trend to continue, and it will not be reversed unless there is wider appreciation by the public of the value of independent advice.

He criticises the regulators for failing to make the public sufficiently aware of the difference between IFAs and tied agents. But it is scarcely the regulators' function to carry out a marketing exercise on behalf of independent advisers. It would be possible to come to a harsher judgement: that, as a group, IFAs have failed to impress the public with their expertise and professionalism.

I would reserve my own main criticism of the regulators to two other areas.

One was the false start over the imposition of a maximum commission agreement on IFAs. Although this was in due course dropped under pressure from Borrie, for a crucial period it meant that life companies were able to pay much higher commissions to tied agents than to IFAs.

In a curious way, the IFAs submitted willingly to the commission curb because they were nervous of their ability to cope with the conflicts of interest with clients arising from negotiated undisclosed commissions (a clear sign of their lack of professionalism).



Barry Riley
In a way that the legislators never intended, many of the independent intermediaries have become casualties of the Financial Services Act

The effect was that IFAs started off in poor relations from the word go, although commission levels eventually were freed to jump by some 20 or 30 per cent last year.

The second criticism remains very much in force: it is over the imposition of the strict polarisation rules which force intermediaries to be either completely independent

or completely tied. This has confined the retailers of investment products within quite unnecessary straitjackets. Protecting investors by seeking to restrict their choice is a poor method.

To me, it has long seemed inevitable that traditional small practitioner IFAs would become confined in the long run to a modest up-market sector relying on fees rather than commissions. Already, in fact, most life company endowment business has gravitated to the banks and wealthy societies, leaving IFAs confined mostly to personal pensions.

In more enlightened circumstances, though, it would have been possible for us to see the emergence of mass market financial retailers also offering an IFA service of a simplified kind. This would have permitted the preservation of one of the most attractive features of the investment industry in the UK: the presence of a number of highly competitive institutions under pressure to market innovative products through independent outlets.

Compare this, for instance, with the cosy and sluggish German market where clients generally receive poor value and a distinctly narrow choice. But the disastrous polarisation rules have cut off this opportunity and are leading us inexorably towards the German situation.

In all other product areas, retailers are allowed to sell own brands alongside a selection of the best products origi-

nated independently. Most apart from the odd Marks & Spencer, choose to do so. Why should financial products be so different?

Essentially, because the regulators have felt unable to apply more liberal regulations to big financial retailers than to small firms which would howl about discrimination. So I suppose liberalisation will be postponed until there are hardly any small firms left to be protected.

Among the major banks, only National Westminster remains committed to independent status. Of the building societies, Bradford & Bingley, the ninth largest, is the biggest to have resisted a tie. The banks, by and large, were not willing to dispose of their in-house life and unit trust companies. The building societies have decided that independent advice rates a zero as far as their average customer is concerned. After all, the big building societies have much more powerful and reassuring brand names than those of life companies or unit trust groups.

As for the small practitioner IFAs, they have to get over to the public the message that they can save people money and find them better investments. Perhaps they will find it easier once it becomes evident that some of the bank and building society own-brands product are performing badly. Then the merits of independent advice might be better appreciated; at least, Sir Gordon Borrie hopes so.

FIDELITY INTERNATIONAL

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CONTENTS

Finance: London's hot market.....III	What Bouquet of success.....XX	Arts: XIV-XV Food	XX Stock Markets
Travels: The French skiing season.....VII	How To Spend It: Louis Vuitton's battle.....XXI	XXIX Gardening	XXVI London
Motorings: The greenest VW.....XVIII	Sports: Tennis and cricket.....XXII	XXVI How To Spend It	XXII New York
		XXIX Motoring	XXVI TV and Radio
		XXIX Property	XXIV Travel
		XXIV Finance & Family	XXII Wine

TRAVEL - The French skiing season: A postscript

French hunt in vain for the snow-dragon

For the third year running many resorts have had a disastrous season. Paul Abrahams reports

MUD, slush and financial ruin rather than snow have characterised the French skiing industry this season. The dazzling age of the white gold - *l'or blanc* - as snow is known in the French Alps, has come to an end.

Something bizarre has happened to the weather: for the third consecutive season, the snows arrived late, if at all. During January this year, the line at which the temperature measured zero was, on occasions, at 3,000 metres. By the second week in February, blizzards were already appearing by the side of the autoroute between Lyon and Chambéry.

When the snows did finally fall, the snow-dragons, which mountain folk (montagnards) used to believe dominated the high valleys, mocked the men below by replacing famine with flood: more than 2m fell in less than five days in February, cutting off resorts such as Tignes, high in the Tarantaise valley, just before the all-important Parisian February school holidays. Then the mild weather melted most of what had fallen. Only a late Easter,

and some uncharacteristic snowfalls, permitted a little reasonable skiing towards the end of the season.

Montagnards in the Savoyard Alps have been insisting that such conditions have happened before, and have nothing to do with global warming. They point out that in 1913, for example, shepherds were still grazing their sheep above 3,000m at Val d'Isère during January. Skiers became spoilt, they argue, by a series of early falls in December towards the end of the 1970s and the beginning of the 1980s, and so unreasonably came to expect good skiing at the beginning of every season.

Whether or not the pattern of late snowfalls and mild climatic conditions is part of a more general trend, the cumulative economic effects of the last three seasons have been catastrophic. A rationalisation is now taking place in both the ski equipment industry and among resorts that will have plenty of consequences for the consumer.

The ski equipment companies, which since the mid-1980s have been suffering from a

slow-down in the sector, were particularly badly hit by the lack of snow this season. At the same time that spring blossoms were appearing on alpine trees in February, so unseasonably early sales offering 50 per cent discounts were also appearing in shops across Europe as dealers attempted to off-load stock.

Many holidaymakers proved understandably reluctant to invest in a new pair of skis, or accessories, when they knew they could be wrecked during the first day on the pistes. Sales of downhill skis fell by about 10 per cent worldwide last season, while sales of cross-country skis slid by about 30 per cent.

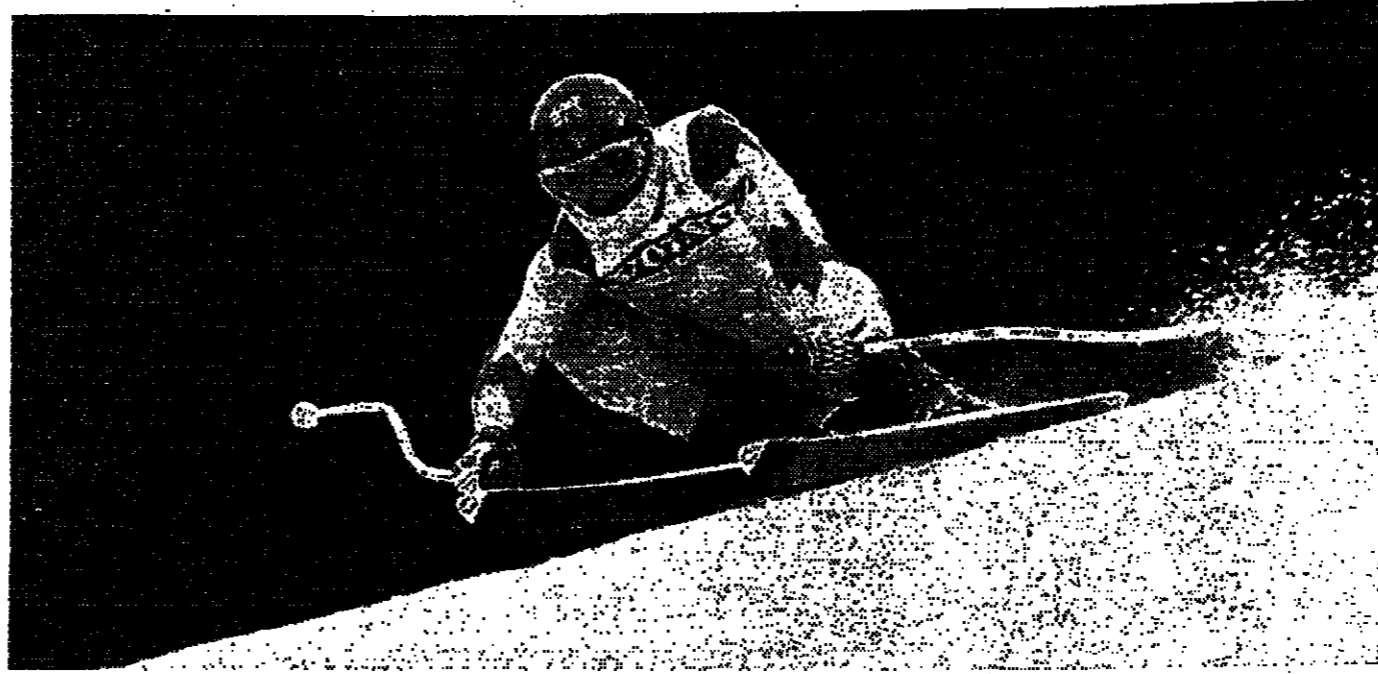
The situation was sufficiently serious for Rossignol, the world's largest manufacturer of skis, to report in March that it expects to make a loss this year of between FF10m-15m, compared with a profit of last year of FF24.6m.

Meanwhile, Salomon, the world's leading binding supplier and the second most important ski boot company, this month announced profits down to about FF85m from

the previous year's FF236.4m, despite record sales in Japan.

The position of the equipment companies is not likely to improve in the short term. Retailers at this year's trade shows have proved unwilling to invest heavily when restocking for next season. Sales of skis and associated equipment fell by between 30 and 50 per cent at this year's shows compared with last year.

Such deterioration in the ski equipment market will have a serious impact both on the industry's structure and on what the consumer will find in



Dream conditions... but for many would-be skiers the dream never came true

the shops in coming years.

The traditional form of the European market, which has been highly fragmented with as many as 100 ski manufacturers, may well be ending. Analysts believe that the combined effect of a maturing market and three years without proper snowfalls is accelerating a trend towards concentration which began 10 years ago.

That rationalisation will mean that the range of brand names that skiers will find in shops is likely to diminish. This is in part because retailers are tending to concentrate on established brand names which they can be more confident of selling and which provide better margins.

More important, a large number of smaller manufacturers will simply cease trading over the next few years.

Five groups are emerging to dominate the industry. Two are private companies, Atomic of Austria, and Head, an Austro-Japanese venture; two, Salomon and Rossignol, are publicly quoted French companies; the fifth, surprisingly, is Benetton, the Italian textile concern, which recently purchased Nordica, the world's largest ski-boot manufacturer.

Analysts believe that these five groups will be able to weather the downturn better than the smaller companies,

not least because they are highly internationalised and less dependent upon the troubled European market. Those with smaller economies of scale and with fewer resources to invest in modern manufacturing methods and research and development will find it increasingly difficult to survive.

Rumours in the industry suggest that four companies controlling the best-known independent marques may be absorbed into the big five during the coming seasons. These four are Marker, the German binding company; Raichle, the Swiss ski-boot concern; K2, the American ski manufacturer; and Fischer, the Austrian ski supplier. Their names will not necessarily disappear. It is possible that the companies acquiring them may continue to use the brand names, in the same way that Rossignol continues to use the Dynastar marque.

Another effect of the restructuring will be that consumers will be able to purchase all their ski equipment: whether skis, boots, bindings or clothes, from a single supplier, as equipment companies try to amortise the cost of their distribution networks by diversifying.

Companies such as Salomon, traditionally a boot and binding group, will be launching a range of skis this coming win-

ter. Rossignol, which has in the past concentrated on ski manufacturing, is now marketing boots and is planning to launch a range of bindings. Most manufacturers will also try to brand their products by co-ordinating their colours and making them increasingly fashion-conscious. Benetton has just launched a range of ski-wear to go with some of the boots offered by its new recent acquisition, Nordica.

Although the choice of products may diminish in future seasons, skiers should be able to take comfort from the fact that the quality of equipment should improve.

The equipment manufacturers claim that they are investing increasing amounts on research and development to improve the performance of their merchandise and so differentiate their products. Salomon, for example, has invested millions of francs developing its new range of skis. The company claims that the skis' design employs a revolutionary concept that makes turning on snow easier.

In addition, equipment manufacturers are investing in automated manufacturing technology, which should both take cost out of the product and improve the quality of their equipment. Machines make fewer mistakes than humans, they say. Dynastar, a division of Rossignol, is investing about FF10m a year in new production technology.

One final consequence of the consolidation and increasing competition in the sector is that the real cost of ski equipment should fall. Jean-Jacques Bonnard, the secretary general of Rossignol, believes that although in the medium term he would like to increase his prices to improve his company's margins, the chances are that the intense strife in the sector will be to the advantage of the consumer.

But the recent poor seasons have not only affected the ski equipment companies. They have also had a significant impact on the resorts.

French ski stations have been faced with a steadily declining domestic market. At the end of last season, the authorities discovered that only 7.9 per cent of the French population went on winter sports holidays in 1988-9, compared with 9.1 per cent in

Continued on Page IX

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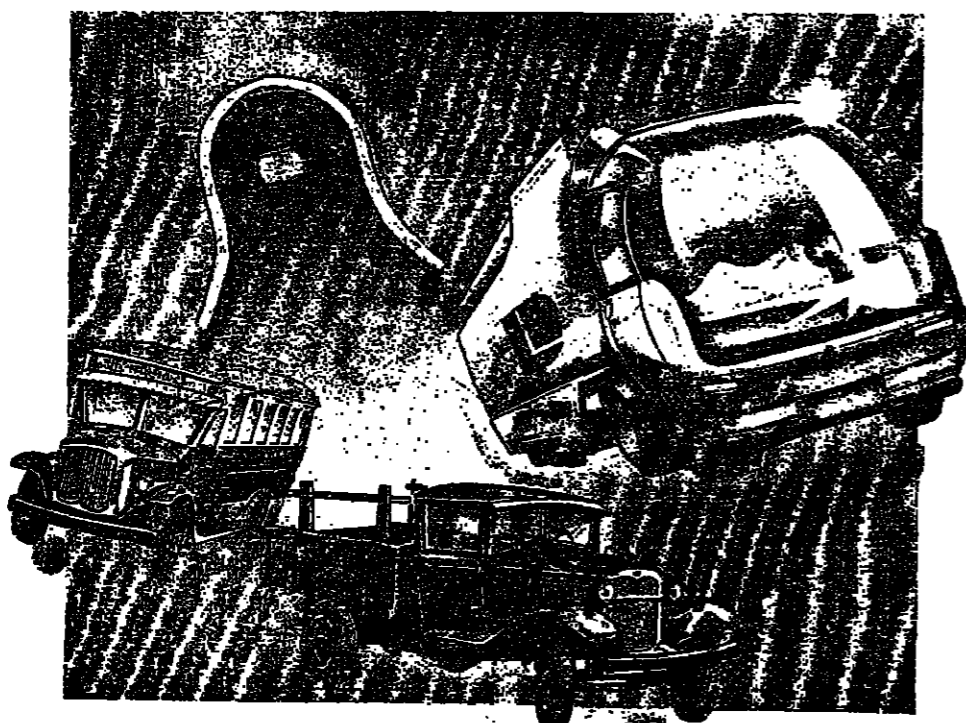
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TRAVEL

Continued from Page VIII

1987-8 and 18.2 per cent in 1978.

The problem for the resorts is that they are heavily dependent upon the domestic market. A recent study by Sema-Metra, the French consultants, showed that only 17 per cent of skiers in France are foreigners. Despite having more lifts and ski runs than any other country in the world, France has only 15 per cent of the market for skiers taking holidays outside their own country.

The resorts are now determined to market the benefits of taking winter holidays in France at the same time as they improve the welcome they offer to non-French skiers. Tourist offices and lift companies are investing heavily to improve facilities for skiing and other activities.

The most important investment in ski-making facilities. The French resorts have been slow in installing such equipment and have been left behind the Italians, at least.

"It's ridiculous," complains Georges Salomon, president of Salomon. "They've spent billions of francs on new buildings and millions on lift systems. Yet they've been reluctant to spend relatively small amounts on cannons which produce the one thing the whole edifice is based upon: snow."

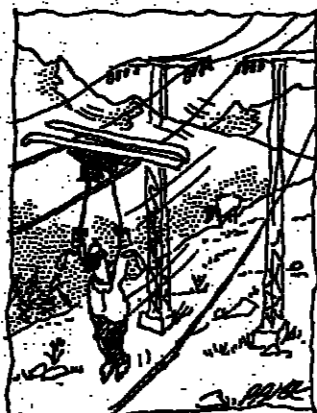
Last summer, at least eight French stations put in systems with the capacity to cover more than 1m square feet. At the beginning of the season, station managers were able to see that many of resorts were only able to operate because of such investments. Others discovered that snow-making is not a panacea and that they had wasted large sums of money. The machines only work at minus 4 degrees C in wet conditions, and the temperatures in some areas failed to fall low enough to allow snow-making.

The resorts have also been investing in laying grass on the pistes. This preserves what snow has fallen, because the grass forms a layer of insulation between the warm ground before it has frozen and the early snow cover. The grass can also extend the length of time that the snow lasts at the end of the season by about three weeks.

One other area that stations are looking at is large-scale lift systems. This is based on the idea that if it is impossible to get the snow to the skiers, it should be possible to take peo-

ple high into the mountains, where, in theory, snow should be more widespread. Four resorts, Les Arcs, Les Deux Alpes, Tignes and Val d'Isère, have invested in funiculars in recent years, while others have purchased detachable lifts, which have more capacity than traditional fixed systems.

Station managers and mayors are also attempting to make the buildings in the resorts more attractive. The French created some monstrously unappealing structures in their ski stations during the 1960s and '70s. The buildings were often of poor quality, enormous yet cramped, and frequently paid little attention to the needs of those who had to stay in them. The result has been a collapse in the price of second-hand



ski-station properties.

"It's been la grande panique," claims Daniel Berthe, a property developer based in Annecy. "Quality has become the watchword, and the straight line is no longer seen as a sign of human intelligence. Developers have discovered they can't sell everything."

He explains that the best recent buildings have kept to scale with the surroundings, have attractive locations facing south, are of a reasonable size and are constructed in an alpine style in an attempt to be in harmony with the environment. Concrete is out and wood is in. Such buildings, especially if they have facilities such as saunas, creches and laundries, can be sold, claims Berthe. Anyone wanting to buy in the Alps should be able to find increasingly high quality at falling prices.

The French stations have one final strategy to improve their profitability in the face of the lack of snow: to emphasise that their resorts are attractive places to take holidays, even

without the white gold.

"Everyone is talking about selling mountains, rather than snow," explains Gérard Coët, director of Salon International de l'Aménagement en Montagne, the international mountain equipment show. "By investing in non-skiing facilities, they are trying to encourage holiday-makers to come to resorts all the year round, rather than just in February."

The problem with all this investment is that it is expensive and only really an option available to the largest stations. A large lift can cost as much as a Boeing 737, and a large snow-making system can be as expensive as a new bubble-lift. This means that the larger resorts will become increasingly attractive to tour operators, while the smaller resorts become less attractive because they will be unable to invest in such schemes.

Some of the lower resorts such as La Clusaz and Morzine in Haute-Savoie have had disastrous seasons because of their low altitude. It is these resorts which UK tour operators, already under pressure from falling demand caused by high interest rates and a weaker leisure sector, are likely to cut from their brochures first.

These resorts are already under financial pressure. This was a bad year for the companies and communities running the ski resorts. On January 23 this year only 52 of the 429 resorts in France were functioning. Some resorts were almost empty, while high, fashionable resorts, such as Courchevel, only reached full occupancy in February. Not surprisingly, receipts taken by the lift operators were down. Losses in January alone were estimated at FF450m, at least. Meanwhile, French stations also lost income from local income taxes because they were employing only 2,000 of the usual 11,000 seasonal workers.

The effect of this financial dislocation for the skier is that the range of resorts offered by tour operators will decrease at the same time that the number of stations able to afford to offer quality facilities will also diminish. On the other hand, what the best resorts have to offer will become more and more attractive as they compete for an increasingly rare and valuable clientele.

In the meantime, mountaineers, equipment manufacturers and skiers will be praying that next season, at least, the white gold arrives on time...

Where the tourists eat the piranhas

Tim Burt starts a five-part series on the Andean Nations by trekking through the Peruvian jungle, dodging tarantulas and scorpions

SOME stones thrown up by a passing taxi clanged against the Casa de Hierro - the house of iron - in downtown Iquitos. The walls, made of iron trusses and sheets bolted together, have rusted in the 22 years since a rubber baron transported the parts up the Amazon from the Eiffel workshop in Paris to Peru's fastest-growing river port.

The taxi driver did not give the building a second glance as he revved his motorcycle rickshaw out of the Plaza de Armas and towards the waterfront. Motorcycles outnumber cars by five to one in Iquitos because two wheels are more useful than four in a town where the roads extend only 15 km before the jungle takes over.

The rickshaw heading towards the river was decorated with gold curtain braids and pictures of the Madonna; a stick of incense was burning in a holder close to the petrol tank and a crucifix was jammed between the handlebars, giving the vehicle the atmosphere of a motorised chapel rather than a taxi.

Rickshaws crowd through the streets of this urban oasis - 370 miles from the Andes and 1,900 miles from the Atlantic at the mouth of the Amazon. Its remoteness means that visitors with any acumen leave their children behind and prepare themselves for unkempt hotel rooms with saloon bar doors and overhead fans which generate the same downwash as a helicopter gunship. The only way out is by air or on one of the wooden river boats.

Most taxis deposit river-bound passengers beside two of the oldest steamers, which are revered as heroes in Iquitos. Moored now beside an offshore slum of ruined houseboats, they once starred in the Werner Herzog film, *Fitzcarraldo*, about the eccentric German opera producer who lived in the Plaza de Armas and built an elaborate opera house downstream in Manaus, Brazil.

Herzog's boats rock against each other in the swell of modern motor launches that carry tourists away from the oil-rich town to jungle lodges. The launches, full of foreigners looking for a taste of Amazonia, pass Yagua Indians commuting the other way for a taste of modern Peru.

Two hours' and one-and-a-half fuel tanks down river, past the confluence of the Rio Nanay and the Amazon, a launch from one of the so-called "exploration" agencies regularly deposits its complement of four tourists and a guide before earning its fuel back to town with any fares it can pick up from the riverbank. The hot fumes and congestion of the town fade quickly during the hour-long trek under the forest canopy to Yaminua, a bamboo camp.



Peruvian Indians: descendants of Incas whose empire stretched along the Andes

Unlike the prepared jungle lodges close to Iquitos with their bungalows, showers and middle-aged guests from Miami, Yaminua consists of three ramshackle huts on stilts, serviced by a mud brown stream where guests take a bath. Guillermo, the guide, warns visitors against bathing naked as the local candura fish has a disarming habit, when drawn by urine, of lodging itself in body orifices.

The jungle is an obstacle course of hardwood trees with roots, shaped like dorsal fins, jutting across paths of slippery mud. The place is alive with insects. In the humidity the mosquitoes home in on trickling sweat unless you douse in espirales - the locally-made repellent - which sends most bugs into reverse thrust.

The sun rarely breaks through the foliage overhead and in the permanent twilight it is easy to slip and fall. Guillermo tells his charges to look out for lurking tarantulas, snakes and scorpions. "It does wonders for their balance," he says.

Some insurers are reluctant to cover all eventualities in the jungle, he says, at which point one of the gringos tumbles off a bridge - the trunk of a tree cut down across a stream - and yelps as the plant he grabs sinks its spikes

into his hand.

The rain started in drips as the guide turned his team back to camp. There, the two Dutch sisters who had left their husbands behind in Europe, carefully inserted cigarettes into holders and, swinging in hammocks, contemplated the young Peruvian as he dug out the spikes from the unfortunate's hand.

The "local shower" continued for two hours, pelting every exposed leaf until they glistened. Watching the varnished jungle close in with darkness, it was easy to understand what the save-the-forest campaigners are fighting for. On clear nights, the moonlight is strong enough to cast shadows in the clearing at Yaminua; farther away, fireflies flash on and off while the insects chatter.

In the early morning light we found ourselves paddling through a swamp in a dugout canoe, pausing occasionally to wade into the water and clear roots beneath the surface before emerging on to a small lake. Guillermo rummaged in a bucket and poured the contents overboard - chicken heads, feet, the odd feather. The water started to bubble and then erupt as the piranha fed.

The dugout rocked alarmingly as Guillermo put his feet on the gunwales, dipped his bucket into the water and calmly emptied seven or

eight flapping piranha into the boat. It rocked further when the passengers struggled to get their feet out of range and started to bash the fish with every implement available.

Cooking the piranha, which appear to have more incisors than bones, Guillermo said it was safe to wade in the swamp because the meat-eaters do not venture into dark water. They looked tamer smoked over a camp fire than in the boat.

Paddling back across the lake, it was difficult to concentrate on the green parrots flying overhead rather than the water seeping into the dugout. One such parrot, determined to distract attention from the leaking craft, swooped down on to a landing strip of water lilies the size of restaurant tables.

Drenched and treading gingerly, most tourists are only too pleased to reach the comparative safety of the Amazon riverbank where the Iquitos launch makes a daily call. The low-slung boat takes most of the day to negotiate the upstream journey until the town's patchwork of corrugated-iron roofs appears at last around a bend in the river.

The mud and sweat of the rainforest is instantly appealing compared with the afternoon rush hour, but in Iquitos the best way to beat the traffic is to join it. The roads out of town soon empty once you get up speed on a hired motorcycle, even if its engine does splutter like a coffee percolator.

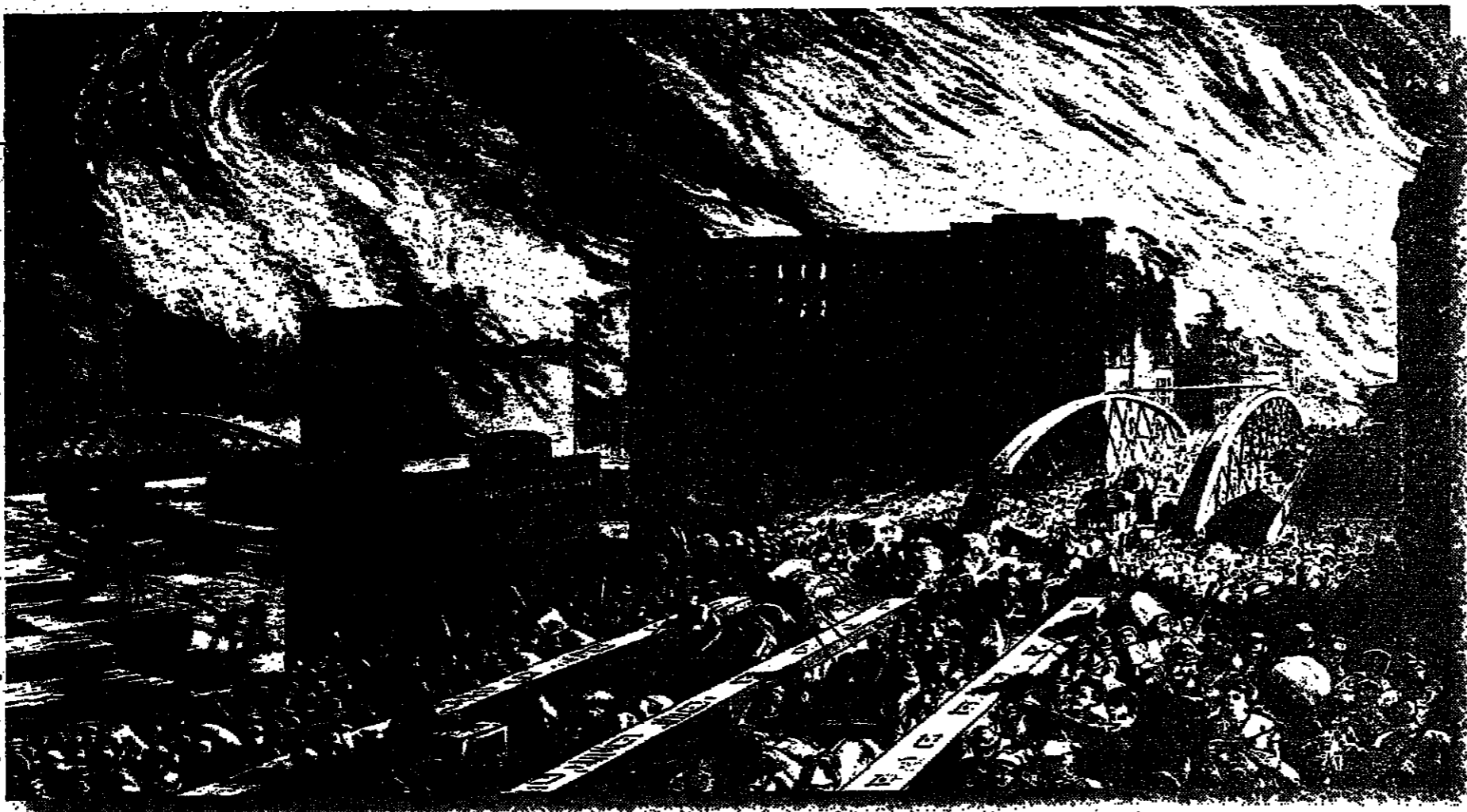
Quistococha is sited just where the road changes to an unpaved track into the jungle. The state tourist office calls it a "beautiful and wonderfully strange" place with "a small serpent house and specially prepared cages with some species from the jungle such as tigrillo, the otomongo and the ronsoco."

Close up it is a run-down zoo. The serpent house resembles a small Victorian conservatory but its windows were broken and it was empty. A couple of sloths were asleep in a tree beside the wire compound designed to house them, giving rise to the giggling suspicion that all the other inmates were also on the loose.

The vacant spider house induces most visitors to hail a rickshaw straight to Francisco Secada airport, where the frontier atmosphere continues on the bumpy flights heading west over the Andean foothills. Short of money and planes, Faucett, the country's third flag carrier after AeroPeru and the air force, offers no alcohol but gets its passengers to play bingo before take-off.

Strapped into seats with Alitalia embossed on the belt buckles, passengers are urged to cross off their bingo numbers as the ancient DC-8 rocks along the taxiway at Iquitos. The unlucky winner's prize is to sit with the pilot during the two-hour ordeal over the mountains and away from the jungle.

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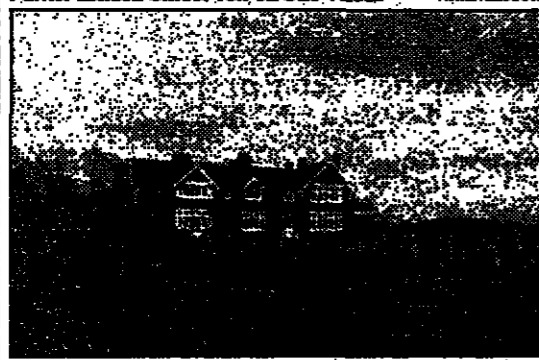
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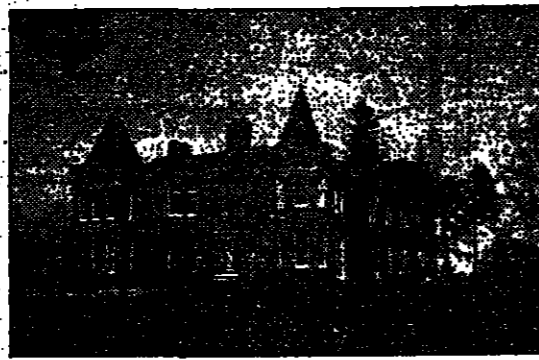
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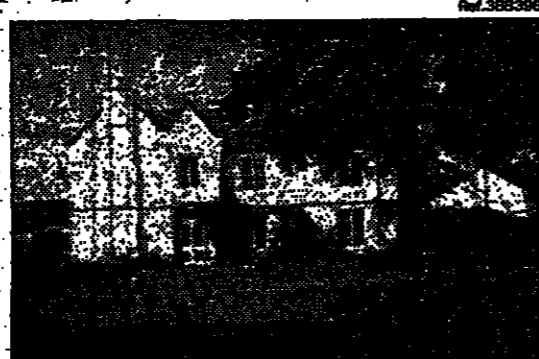
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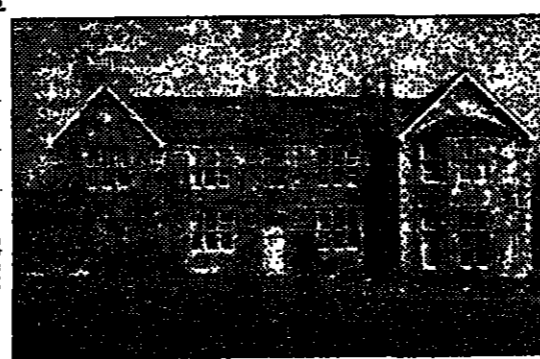
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DEVON - Sampford Courtenay, Okehampton 4.5 miles. Exeter 22 miles. A fine Victorian former rectory currently used as a residential home situated on the edge of a pretty village. 7 bedrooms, 3 reception rooms. Former coach house with potential for conversion. Oil heating. Lightly wooded gardens. About 4.5 acres. Region £450,000. Exeter Office: Tel. (0392) 215631. Ref: L398825.

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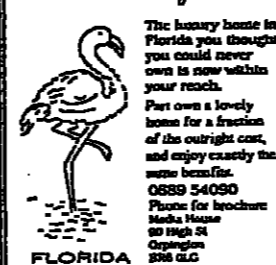
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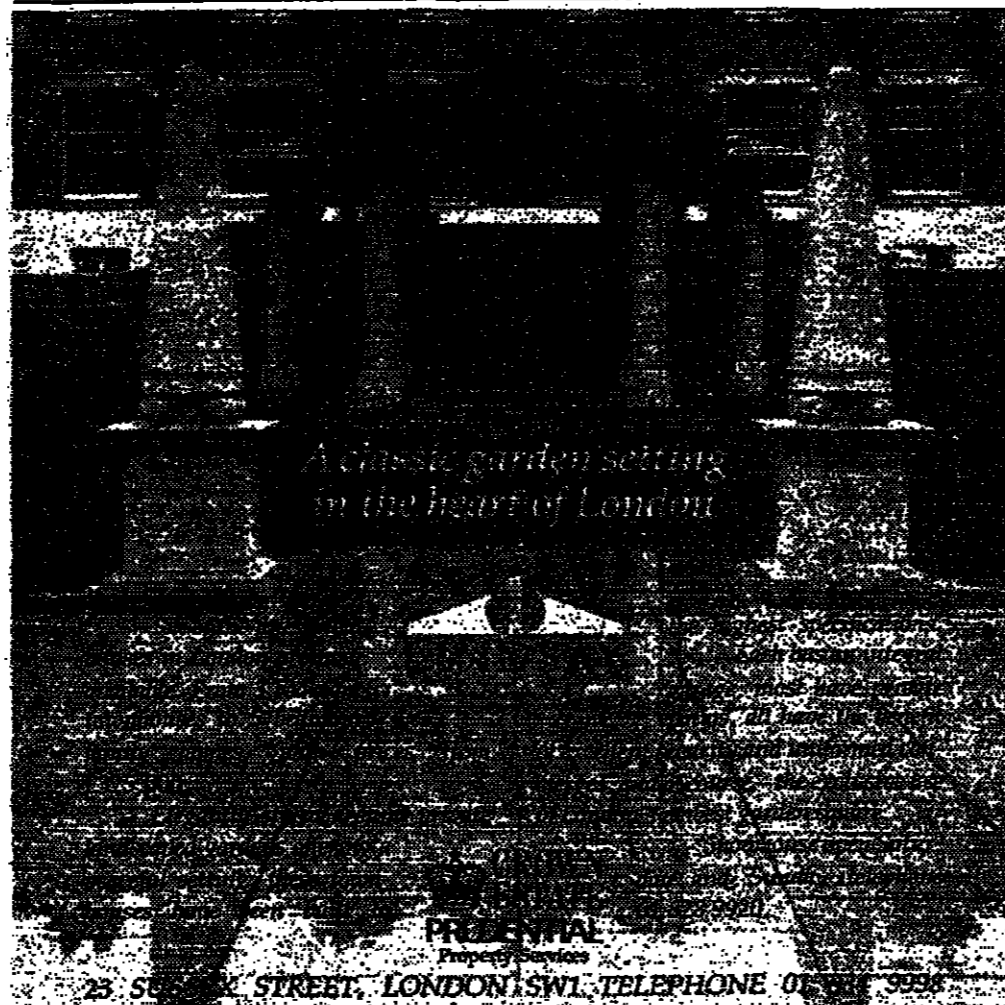
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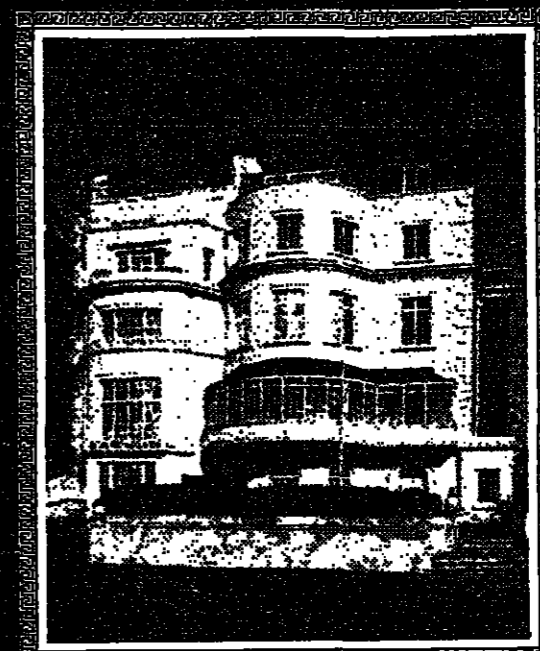


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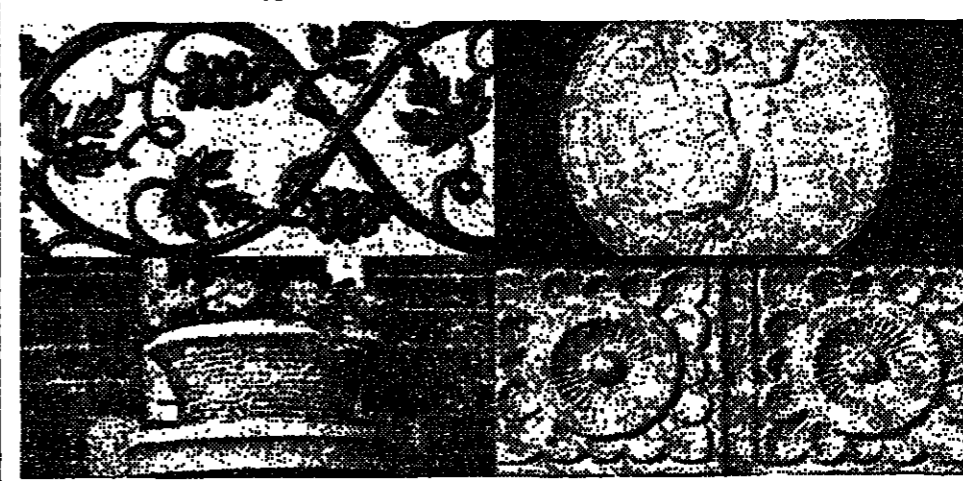
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